

Sustainability-related disclosures

December 2022

A. Integration of Sustainability Risks and of principal adverse impacts in the investment decision-making process

Africa Agriculture and Trade Investment Fund (“AATIF”) aligns its communication with the requirements of the European Union’s Sustainable Finance Disclosure Regulation (“SFDR”) (EU 2019/2088) for sustainability related disclosures in the financial services sector.

Investments along the African agriculture value chain primarily face risks related to labour and working conditions including child labour, resource efficiency and pollution, land acquisition and (involuntary) resettlement, biodiversity, management of living natural resources, indigenous peoples and cultural heritage. If left unmanaged, sustainability risks can have a direct influence on repayment capacity and thus credit risk, in addition to a negative impact on reputation and AATIF’s ability to achieve its development impact. Sustainability risks are mitigated by refraining from financing investments of high social and environmental risk (S&E risk category A) and by implementing AATIF’s Social and Environmental Policy (“S&E Policy”) which defines the framework, processes, and responsibilities for identifying and managing social and environmental risks and impacts. The S&E Policy is aligned with the IFC Performance Standards on Environmental and Social Sustainability.

During concept stage, the Investment Advisor uses a S&E screening tool and receives support from the Sustainability Advisor to assess activities against AATIF’s exclusion list and S&E risk category A. In parallel the KYC process is initiated. During due diligence, an S&E and governance

risk assessment is performed based on research and an onsite visit, resulting in a Social & Environmental Assessment Report, in which the S&E risk category is assigned and a description of governance risk is provided to the investment committee based on AATIF’s internal risk management procedures. S&E and governance related conditions precedent and undertakings are integrated into the relevant financing agreement and additional Technical Assistance can be availed to support implementation of especially S&E undertakings. The risk assessment is reviewed periodically based on monitoring of undertakings. Any change in S&E category or governance risk will be reported to the Investment Committee/Board of Directors.

B. Remuneration Practices

AATIF’s culture of sustainable finance and social and environmental management is reflected in its remuneration practices. For the members of AATIF’s Board of Directors and Investment Committee, a basic pro-rata temporis annual remuneration scheme, benchmarked to rates in comparable development finance funds and organisations, is subject to approval by the Shareholders or the Board of AATIF as the case may be. The Investment Advisor on the other hand is receiving an investment advisory fee which is linked to the type of Investments and the outstanding balance of Investments. The Investment Advisor may also be entitled to receive a performance fee from AATIF which depends inter alia on achieving the developmental goals set by the Board. Similar to the Board of Directors and Investment Committee remuneration, the Investment Advisor’s rates are comparable to other development finance funds.